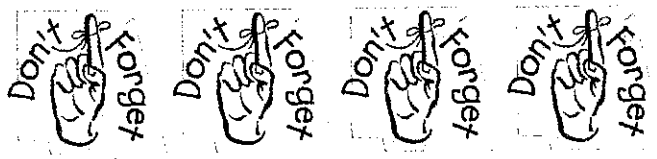


**CONTRACT #2**  
**RFS # 317.05-076**

**Department of Finance &  
Administration**

**VENDOR:**  
**National Association of State  
Auditors, Comptrollers and  
Treasurers (NASACT)**

10/26/2006



A non-competitive amendment (that meets the \$250,000 and over one year threshold) must be presented to the Fiscal Review Committee (FRC) if it meets any of the following conditions:

- A non-competitive amendment request is submitted to OCR;
- Increases the maximum liability;
- Adds new services or changes the scope of services; or
- Extends the term of the contract beyond the original term.

Use the following checklist to ensure copies of the proper documents have been submitted to FRC:

- Together* {
- ☐ ORIGINAL CONTRACT
    - If *new* non-competitive contract, actual language of the proposed contract (can be in draft form if necessary).
  - ☐ SUMMARY SHEET FOR CONTRACT
  - ☒ REQUEST FOR CONTRACT (Competitive or Non-Competitive)
  - N/A* ☐ ALL PRIOR AMENDMENTS
  - N/A* ☐ SUMMARY SHEET FOR EACH PRIOR AMENDMENT
  - ☒ REQUEST FOR NON-COMPETITIVE AMENDMENT
    - If *new* amendment, actual language of the proposed amendment (can be in draft form if necessary).
  - ☒ SUMMARY LETTER
    - Detailing terms of contract or amendment and the basic justification for the non-competitive procurement.
    - If request is submitted less than 60 days before effective date, a detailed explanation for why the request is late.
  - ☒ ANY SUPPORTING DOCUMENTS
  - N/A* ☐ FULLY EXECUTED COPY OF FINAL DOCUMENT

FRC STAFF COMMITTEE CONTACT INFORMATION

Leni Chick  
8th Floor, Rachel Jackson Building  
(615) 253-2048 (direct)  
(615) 253-3018 (fax)

[leni.chick@legislature.state.tn.us](mailto:leni.chick@legislature.state.tn.us)

(Website) <http://www.legislature.state.tn.us/joint/Staff/FR/fr.htm>

RECEIVED

OCT 23 2006

FISCAL REVIEW

- ① Summary Sheet for amendment  
② Rule Exception Request for original Contract



STATE OF TENNESSEE  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
DIVISION OF ACCOUNTS  
21ST FLOOR, WILLIAM R. SNODGRASS TENNESSEE TOWER  
312 - 8TH AVENUE, NORTH  
NASHVILLE, TENNESSEE 37243-0293

DAVE GOETZ  
COMMISSIONER

To: Jim White, Director  
Fiscal Review Committee

From: Jan I. Sylvis *Jan I. Sylvis*  
Chief of Accounts

Subject: Request for review of non-competitive amendment

Date: October 18, 2006

The state purchased benchmarking and certain advisory services for core administrative functions from NASACT (National Association of State Auditors, Comptrollers and Treasurers) in December 2005. The procurement was non-competitive because NASACT had developed a competitive procurement of benchmarking services that could be used by most states according to their procurement law. At the time the Department of Finance and Administration was committed to making improvements in its functional areas. Since then we've experienced the benefits of the benchmarking results and the opportunities of making some of these improvements as we implement Edison. The advisory services for finance, IT and payroll have proved beneficial in discussions related to system configuration. As a result of that experience, the Department of Personnel and the Department of General Services would also like the advisory services pertaining to their functional areas.

We seek to amend the contract to purchase the advisory services for the HR and procurement functional areas at the same rate as the advisory services for accounting, payroll and IT. If you have any questions, please contact me at 741-2382 or Rhonda Hicks at 741-9795.

# CONTRACT SUMMARY SHEET

021406

<b>RFS #</b>		<b>Contract #</b>	
317.05-0??		FA-06-16620	
<b>State/Agency</b>		<b>State/Agency Division</b>	
Finance and Administration		Enterprise Resource Planning	
<b>Contractor Name</b>		<b>Contractor ID # (FEIN or SSN)</b>	
National Association of State Auditors, Comptrollers and Treasurers (NASACT)		C- or <input checked="" type="checkbox"/> V- 611102935 00	

<b>Service Description</b>			
Benchmarking Services			
<b>Contract BEGIN Date</b>	<b>Contract END Date</b>	<b>Subrecipient or Vendor?</b>	<b>CFDA #</b>
4-Nov-05	31-Oct-11	Vendor	

<b>Mark Each TRUE Statement</b>	
<input checked="" type="checkbox"/> Contractor is on STARS	<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts

Alotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
317.17	100	089/BEN	11		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006			\$ 429,635.00		\$ 429,635.00
2007			\$ 102,100.00		\$ 102,100.00
2008			\$ 101,500.00		\$ 101,500.00
2009			\$ 367,035.00		\$ 367,035.00
2010			\$ 12,210.00		\$ 12,210.00
2011			\$ 12,210.00		\$ 12,210.00
2012			\$ 12,210.00		\$ 12,210.00
<b>TOTAL</b>	\$ -	\$ -	\$ 1,036,900.00	\$ -	\$ 1,036,900.00

<b>— COMPLETE FOR AMENDMENTS ONLY —</b>			<b>State/Agency Fiscal Contact &amp; Telephone #</b>
<b>FY</b>	<b>Base Contract &amp; Prior Amendments</b>	<b>THIS Amendment ONLY</b>	Rhonda Hicks -- 741.9795
2006	\$ 429,635.00		<b>State/Agency Budget Officer Approval</b>
2007	\$ 60,900.00	\$ 41,200.00	
2008	\$ 60,900.00	\$ 40,600.00	
2009	\$ 326,435.00	\$ 40,600.00	
2010	\$ 12,210.00		
2011	\$ 12,210.00		<b>Funding Certification</b> (certification required by 16 C.A.R.S. 9-4-5113 that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)
2012	\$ 12,210.00		
<b>TOTAL</b>	\$ 914,500.00	\$ 122,400.00	
<b>End Date</b>	31-Oct-11	31-Oct-11	

<b>Contractor Ownership</b> (complete only for base contracts with contract # prefix FA or GR)			
<input type="checkbox"/> African American	<input type="checkbox"/> Person w/ Disability	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business <input checked="" type="checkbox"/> NOT disadvantaged
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> OTHER minority/disadvantaged—

<b>Contractor Selection Method</b> (complete for ALL base contracts—N/A to amendments or delegated authorities)			
<input type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation	<input type="checkbox"/> Alternative Competitive Method	
<input checked="" type="checkbox"/> Non-Competitive Negotiation	<input type="checkbox"/> Negotiation w/ Government (eg, ID, GG, GU)	<input type="checkbox"/> Other	

<b>Procurement Process Summary</b> (complete for Alternative Method (Competitive Negotiation, Non-Competitive Negotiation, OR Other)
--

Non-Competitive Contract Request - NASACT went through a competitive process via RFP to procure its contract. NASACT contracted with The Hackett Group, which has been benchmarking organizations in all administrative areas since 1992 and has a current database of 3,300 benchmarks. NASACT has competitively contracted with this national benchmarking firm to develop a state government database of metrics for administrative functional areas. One of NASACT's primary goals is to provide an opportunity for state financial officials to share knowledge.


# RULE EXCEPTION REQUEST

REQUEST SUBMITTED  
DUE TO FISCAL REVIEW  
CONTRACTS SUB-COMMITTEE  
REQUEST FOR ADD'L TERM

APPROVED

*M. D. Goetz Jr.*  
 Commissioner of Finance & Administration

Date: 11-22-05

RFS #	317.05-064	STATE AGENCY	Finance and Administration
INFORMATION ABOUT THE EXCEPTION(S) REQUESTED			
SUBJECT RULE NUMBER(S)	0620-3-3-07(5) contract term greater than five (5) years		
DESCRIPTION OF EXCEPTION(S)			
The department seeks a rule exception to permit a contract term longer than five (5) year contract. The department is requesting one additional year to coincide with a NASACT benchmarking contract term. This request for one additional year is based on a Fiscal Review Contracts Sub-committee recommendation.			
JUSTIFICATION FOR EXCEPTIONS (compelling reasons for contracts rule exception; relevant background information; attach additional justification as necessary)			
The Contracts Sub-Committee's intent was to have the same term with NASACT's Benchmarking Contractor and thereby have greater bargaining power in any subsequent procurement.			
INFORMATION REGARDING THE APPLICABLE CONTRACT			
DESCRIPTION OF SERVICE TO BE PROCURED			
BEGIN DATE	11/1/2005	END DATE (including ALL options for term extension)	10/31/2011
MAXIMUM LIABILITY (including ALL options for term extension)		\$914,500	
AGENCY HEAD REQUEST SIGNATURE (signed by the procuring agency head or authorized signatory)			
		SIGNATURE DATE: 10-5-05	

RECEIVED

NOV 16 2005

Office of Contracts Review

0405  
 #720

# REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

Commissioner of Finance &amp; Administration

Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.

1) RFS # 317.05-076

2) State Agency Name : Finance and Administration

## EXISTING CONTRACT INFORMATION

3) Service Caption : Benchmarking administrative functions

4) Contractor : National Association of State Auditors, Comptrollers and Treasurers (NASACT)

5) Contract # FA 06-16620-00

6) Contract Start Date : 11/4/2005

7) Current Contract End Date IF all Options to Extend the Contract are Exercised : 10/31/20118) Current Total Maximum Cost IF all Options to Extend the Contract are Exercised : \$914,500

## PROPOSED AMENDMENT INFORMATION

9) Proposed Amendment # 110) Proposed Amendment Effective Date : n/a (no specific timeframe since adding add'l advisory services)  
(attached explanation required if date is < 60 days after F&A receipt)11) Proposed Contract End Date IF all Options to Extend the Contract are Exercised : 10/31/201112) Proposed Total Maximum Cost IF all Options to Extend the Contract are Exercised : \$1,036,900

13) Approval Criteria : (select one)

☐ use of Non-Competitive Negotiation is in the best interest of the state

☒ only one uniquely qualified service provider able to provide the service

14) Description of the Proposed Amendment Effects &amp; Any Additional Service :

This amendment would allow the state to purchase executive advisory services in the functional areas of personnel and procurement. In the original contract the state purchased the benchmarking services for finance, HR/payroll, procurement and IT. The state also purchased executive advisory services for finance and IT. The executive advisory services provide specific consultation on questions that the state has as it makes improvements in these functional areas. The services also provide access to training and forums on specific process issues within the functional areas. The forums gather people working in the functional areas from all types of industries to discuss effective processes.

**15) Explanation of Need for the Proposed Amendment :**

Without the proposed amendment the state will be unable to access the advisory program for personnel and procurement.

**16) Name & Address of Contractor's Current Principal Owner(s) :**  
(not required if proposed contractor is a state education institution)

NASACT, 2401 Regency Road, Suite 302, Lexington, KY 40503-2914

**17) Documentation of Office for Information Resources Endorsement :**  
(required only if the subject service involves information technology)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

**18) Documentation of Department of Personnel Endorsement :**  
(required only if the subject service involves training for state employees)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

**19) Documentation of State Architect Endorsement :**  
(required only if the subject service involves construction or real property related services)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

**20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :**

No attempt was made to seek these advisory services with another vendor because the advice should be closely related to the Hackett benchmark survey and results to be of the most use. The Hackett advisory services use the knowledge that the Hackett Group has accumulated through working with thousands of companies as they benchmark their processes. The Hackett Group has analyzed their database of results to formulate information related to best practices in each of these functional areas.

**21) Justification for the Proposed Non-Competitive Amendment :**

The current advisory services and benchmarking services were obtained through a multi-state competitive process. The additional advisory services were priced during that same competitive process, but not accessed in our original contract. At that time the State was unsure of the value of the service or the willingness of sister agencies in availing themselves of the advisory services. When NASACT (National Association of State Auditors, Comptrollers and Treasurers) competitively procured the services, it was a first attempt at a cooperative development of a state database of information on benchmarked administrative data. To effectively benchmark administrative processes across states, a common survey tool must be used. The Hackett Group provides that common survey tool and is developing the only state database of administrative benchmarks that exists. Their advisory services are tuned to the database of information that they maintain.

**REQUESTING AGENCY HEAD SIGNATURE & DATE :**

(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)

Agency Head Signature

Date

**AMENDMENT ONE  
TO CONTRACT FA 06-16620-00**

This contract, by and between the State of Tennessee, Department of Finance and Administration, hereinafter referred to as the State, and The National Association of State Auditors, Comptrollers, and Treasurers, hereinafter referred to as the Contractor, is hereby amended as follows:

1. Insert the following paragraph at the end of Section A.3.:

At its option, the State may purchase an annual membership to the Executive Advisory Program for functions or processes in addition to the Finance Executive Advisory Program, the IT Executive Advisory Program, and the Payroll Advisory Services.

2. Delete Section C.1. Maximum Liability. in its entirety and insert the following in its place:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed one million thirty-six thousand nine hundred dollars (\$1,036,900). The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

3. Delete Section C.3. Payment Methodology. in its entirety and insert the following in its place:

C.3. Payment Methodology. The Contractor shall be compensated based on the Service Rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor's compensation shall be contingent upon the satisfactory completion of units of service or project milestones defined in Section A. The Contractor shall be compensated based upon the following Service Rates:



<b><u>INITIAL BENCHMARKS:</u></b>	<b>Benchmark Fee</b>	<b>Contract Administration Fee</b>	<b>Total Benchmark Cost</b>	<b>Travel Expense Allowance</b>
<b>HR/Payroll, Finance, Procurement &amp; IT</b>	\$272,000	\$8,160	\$280,160	\$37,000
<b>Optional Individual Agency Benchmark(s):</b>				
Separate Benchmark Report with Onsite Briefing on Results	\$10,000 per benchmark	\$300 per benchmark	(1)	\$2,000 per benchmark

The Contractor shall be paid for initial benchmarking services as described below:

- Planning/Kick-off meeting 30% of Total Benchmark Cost
- Draft report review meeting 50% of Total Benchmark Cost
- Final report presentation 20% of Total Benchmark Cost

The Contractor shall bill for reimbursement of actual travel expenses separately. Reimbursement for actual travel expenses may not exceed the above Travel Expense Allowance. The Contractor shall be paid a Contract Administration Fee of 3% of the travel reimbursement amount(s) for the initial benchmarks.

<b><u>FOLLOW-UP BENCHMARKS:</u></b>	<b>Benchmark Fee</b>	<b>Contract Administration Fee</b>	<b>Total Benchmark Cost</b>	<b>Travel Expense Allowance</b>
<b>HR/Payroll, Finance, Procurement &amp; IT</b>	\$272,000	\$4,080	\$276,080	\$37,000
<b>Optional Individual Agency Benchmark(s):</b>				
Separate Benchmark Report with Onsite Briefing on Results	\$10,000 per benchmark	\$150 per benchmark	(1)	\$2,000 per benchmark

The Contractor shall be paid for follow-up benchmarking services as described below:

- Planning/Kick-off meeting 30% of Total Benchmark Cost
- Draft report review meeting 50% of Total Benchmark Cost
- Final report presentation 20% of Total Benchmark Cost

The Contractor shall bill for reimbursement of actual travel expenses separately. Reimbursement for actual travel expenses may not exceed the above Travel Expense Allowance. The Contractor shall be paid a Contract Administration Fee of 3% of the travel reimbursement amount(s) for the follow-up benchmarks.

<b><u>EXECUTIVE ADVISORY PROGRAMS:</u></b>	<b>Membership Fee Per Year</b>	<b>Contract Administration Fee</b>	<b>Total Annual Cost</b>
<b><u>Finance Executive Advisory Program, IT Executive Advisory Program, Payroll Advisory Services:</u></b>			
<b>Annual Membership – Year 1</b>	\$60,000	\$1,800	\$61,800
<b>Executive Advisory Programs annual membership–after Year 1</b>	\$60,000	\$900	\$60,900
<b><u>Optional Advisory Program (per each):</u></b>			
<b>Annual Membership – Year 1</b>	\$20,000	\$600	(1)
<b>Executive Advisory Program/Service annual membership–after Year 1</b>	\$20,000	\$300	(1)

**The Contractor shall bill the Executive Advisory Program membership on an annual basis.**

*(1) based upon number of individual agency benchmarks requested or additional annual memberships requested*

The Contractor shall submit invoices, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Such invoices shall be submitted for completed units of service or project milestones for the amount stipulated.

The other terms and conditions of this contract not amended hereby shall remain in full force and effect.

IN WITNESS WHEREOF:

THE NATIONAL ASSOCIATION OF STATE AUDITORS, COMPTROLLERS, AND TREASURERS:

---

KINNEY POYNTER, EXECUTIVE DIRECTOR FOR NASACT      DATE

---

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY

DEPARTMENT OF FINANCE AND ADMINISTRATION:

---

M. D. GOETZ, JR., COMMISSIONER      DATE

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

---

M. D. GOETZ, JR., COMMISSIONER      DATE

COMPTROLLER OF THE TREASURY:

---

JOHN G. MORGAN, COMPTROLLER OF THE TREASURY      DATE

**REQUEST: NON-COMPETITIVE CONTRACT**

APPROVED

MD Goetz **SEP 6 2005**

per F&amp;A Commissioner Signature below

Each of the request items below indicates specific information that <u>must</u> be individually detailed or addressed as required. A REQUEST CAN NOT BE CONSIDERED IF INFORMATION PROVIDED IS INCOMPLETE, NON-RESPONSIVE, OR DOES NOT CLEARLY ADDRESS EACH OF THE REQUIREMENTS INDIVIDUALLY AS REQUIRED.	
RFS #	317.05-052
STATE AGENCY NAME :	Finance and Administration
SERVICE CAPTION :	Benchmarking administrative functions
PROPOSED CONTRACTOR :	National Association of State Auditors, Comptrollers and Treasurers (NASACT)
CONTRACT START DATE : (If date is < 60 days after F&A receipt, attach required explanation)	September 15, 2005
LATEST POSSIBLE END DATE : (Including ALL options to extend)	September 14, 2010
TOTAL MAXIMUM COST : (Including ALL options to extend)	\$860,000
APPROVAL CRITERIA : (select one)	<input type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input checked="" type="checkbox"/> only one uniquely qualified service provider able to provide the service
<b>ADDITIONAL REQUIRED REQUEST DETAILS BELOW</b> (address each item immediately following the requirement text)	
<b>(1) description of service to be acquired :</b>	
<p>NASACT has competitively acquired a national benchmarking firm (Hackett Group) to develop a state government database of metrics for administrative functional areas (finance, HR/Payroll). No such state government database currently exists. During that procurement process the benchmarking firm also provided additional unsolicited benchmarking services for procurement and information systems processes. Benchmarking firms have traditionally worked with private sector companies and have developed extensive databases of best practices that relate to private sector business functional areas. One of NASACT's primary goals is to provide an opportunity for state financial officials to share knowledge. When one of its member states went through a benchmarking process prior to its installation of a major computer system, NASACT recognized the benefit to be gained from building a state government database similar to the private sector that could be customized for state use. The service to be provided is a benchmarking survey conducted of the State of Tennessee's administrative processes to identify our state's metrics and compare them to other states within the NASACT database and also with the private sector. Hackett will also provide an analysis of the results.</p>	
<b>(2) explanation of the need for or requirement placed on the procuring agency to acquire the service :</b>	
<p>The State of Tennessee is embarking on the replacement of many of its major administrative systems (accounting, payroll, HR, and procurement) with an integrated system called an enterprise resource planning (ERP) system. State management is aware of many areas that need improvement as we implement a new system. However, a comprehensive review of administrative processes would highlight all areas of improvement so that they may be addressed in the new system. Once the system is installed and running</p>	

 SEP 01 2005  
 Office of Contracts Review

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 #571  
 05

smoothly another benchmark would need to be taken to determine how effectively the state and its system integrator addressed the identified improvement areas. Not only would the state receive comparisons with other states' processes, but it would also receive comparisons with world-class private sector organizations' administrative processes.

(3) explanation of whether the service was ever bought by the procuring agency in the past, and if so, what method was used to acquire it :

This service has never been bought by Finance and Administration.

(4) name and address of the proposed contractor's principal owner(s) :  
(not required if proposed contractor is a state education institution)

NASACT, 2401 Regency Road, Suite 302, Lexington, KY 40503-2914

(5) evidence that the proposed contractor has experience in providing the service and evidence of the length of time the contractor has provided service :

NASACT went through a competitive process via RFP to procure its contract. NASACT contracted with The Hackett Group, which has been benchmarking organizations in all administrative areas since 1992 and has a current database of 3,300 benchmarks. The Hackett Group is a wholly-owned subsidiary of Answerthink, Inc, 1001 Brickell Bay Drive, Suite 3000, Miami, FL 33131.

(6) documentation of OIR endorsement of the Non-Competitive procurement request :  
(required only if the subject service involves information technology)

select one:

☐

Documentation Not Applicable to this Request

☒

Documentation Attached to this Request

(7) documentation of Department of Personnel endorsement of the Non-Competitive procurement request :  
(required only if the subject service involves training for state employees)

select one:

☒

Documentation Not Applicable to this Request

☐

Documentation Attached to this Request

(8) description of procuring agency efforts to identify reasonable, competitive, procurement alternatives rather than to use non-competitive negotiation :

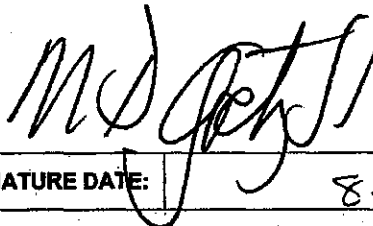
NASACT determined that such a database does not currently exist because there has never been a cooperative effort amongst the states' finance officials to develop one. This is the first time that the states' finance officials have agreed to develop such a database that can be comparative to the private sector database.

(9) justification of why the state should acquire the service through Non-Competitive Negotiation rather than through a competitive process :  
(Being the "only known" or "best" service provider to perform the service as desired will not be deemed adequate justification.)

The state should procure the benchmarking services through NASACT so that it may participate in the building and use of the comparative state benchmark database. While another benchmarking company could provide a survey of some of our administrative services and thus a variety of metrics, it could not provide a comparison of other states' benchmark metrics without using the common database that is being built by the NASACT organization. The benefit of using other states metrics as a comparison will help the state determine best practices within its industry - state government.

AGENCY HEAD REQUEST SIGNATURE:

(must be signed by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR — signature by an authorized signatory will be accepted only in documented exigent circumstances)



SIGNATURE DATE:

8-31-05

# CONTRACT SUMMARY SHEET


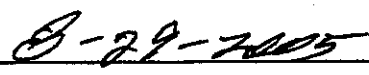
8-8-05

<b>RPS #</b>		<b>Contract #</b>	
317.05-059		FA-06-16620-00 <b>RECEIVED</b>	
<b>State Agency</b>		<b>State Agency Division</b>	
Finance and Administration		Enterprise Resource Planning <b>OCT 23 2006</b>	
<b>Contractor Name</b>		<b>Contractor D / FEIN or SSN</b>	
National Association of State Auditors, Comptrollers and Treasurers (NASACT)		C- or <input checked="" type="checkbox"/> V- 611102935 00	
<b>Service Description</b>			
Benchmarking Services			
<b>Contract BEGIN Date</b>	<b>Contract END Date</b>	<b>Subrecipient or Vendor?</b>	<b>CFDA #</b>
4-Nov-05	31-Oct-11	Vendor	
<b>Mark if Statement is TRUE</b>			
<input checked="" type="checkbox"/> Contractor is on STARS as required		<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts as required	
<b>Allotment Code</b>	<b>Cost Center</b>	<b>Object Code</b>	<b>Fund</b>
317.17	100	089/BEN	11
<b>FY</b>	<b>State</b>	<b>Federal</b>	<b>Interdepartmental</b>
2006			\$ 429,635.00
2007			\$ 60,900.00
2008			\$ 60,900.00
2009			\$ 326,435.00
2010			\$ 12,210.00
2011			\$ 12,210.00
2012			\$ 12,210.00
<b>TOTAL</b>	\$ -	\$ -	\$ 914,500.00
<b>COMPLETE FOR AMENDMENTS ONLY</b>		<b>State Agency Fiscal Contact &amp; Telephone</b>	
<b>FY</b>	<b>Base Contract &amp; Prior Amendments</b>	<b>THIS Amendment ONLY</b>	Rhonda Hicks -- 741.9795
			<b>State Agency Budget Officer Approval</b>
			<i>Mamun Akbar</i>
			<b>Funding Certification</b> (Certification, required by 16 C.F.R. § 9.4-5113, that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)
<b>TOTAL</b>	\$ -	\$ -	
<b>End Date</b>			
<b>Contractor Ownership</b>			
<input type="checkbox"/> African American	<input type="checkbox"/> Disabled	<input type="checkbox"/> Hispanic	<input checked="" type="checkbox"/> NOT minority/disadvantaged
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> OTHER minority/disadvantaged
<b>Contractor Selection Method</b>			
<input type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation	<input type="checkbox"/> Alternative Procurement Method	
<input checked="" type="checkbox"/> Non-Competitive Negotiation	<input type="checkbox"/> Government	<input type="checkbox"/> Other	
<b>Procurement Process Summary</b>			
<p>Non-Competitive Contract Request - NASACT went through a <b>competitive process via RFP</b> to procure its contract. NASACT contracted with The Hackett Group, which has been benchmarking organizations in all administrative areas since 1992 and has a current database of 3,300 benchmarks. NASACT has competitively contracted with this national benchmarking firm to develop a state government database of metrics for administrative functional areas. One of NASACT's primary goals is to provide an opportunity for state financial officials to share knowledge.</p>			



## STATE OF TENNESSEE

**FAX TRANSMITTAL**

<b>TO:</b>	Bill Ezell, Chief Executive Officer Office for Information Resources	<b>FAX #</b> 532-0471
<b>FROM:</b>	Rhonda Hicks	<b>FAX #</b> 532.2332
<b>DATE:</b>	August 29, 2005	
<b>RFS#</b>	317.05-052	
<b>RE:</b>	OIR Procurement Endorsement Documentation for — <b>BENCHMARKING SERVICES</b>	
<b>NUMBER OF FAX PAGES (INCLUDING COVER): 1</b>		
<p>The proposed, service procurement documents referenced above are hereby forwarded to the Office for Information Resources (OIR) for review. The subject scope of services appears to include information systems services or information technology support activities.</p> <p>This communication seeks to ensure that OIR is aware of the procurement and has an opportunity to review the matter to determine whether OIR is supportive. Please indicate OIR endorsement of the procurement described by signature below and return this communication at your earliest convenience (note the return FAX number above).</p> <p>If you have any questions or concerns about this matter, please call Rhonda Hicks at 741.9795.</p> <p>Thank you for your help.</p> <p>Attachment</p>		
<b>OIR ENDORSES THE SUBJECT PROCUREMENT REQUEST</b>		
		
Office for Information Resources		Date



**GENERAL ASSEMBLY OF THE STATE OF TENNESSEE  
FISCAL REVIEW COMMITTEE**

320 Sixth Avenue, North - 8<sup>th</sup> Floor  
NASHVILLE, TENNESSEE 37243-0057  
615-741-2564

**Rep. Charles Curtiss, Chairman**  
Representatives

Harry Brooks	Mary Pruitt
Curt Cobb	Donna Rowland
Bill Dunn	David Shepard
Dennis Ferguson	Curry Todd
Craig Fitzhugh, <i>ex officio</i>	
Speaker Jimmy Naifeh, <i>ex officio</i>	

**Sen. Don McLeary, Vice-Chairman**  
Senators

Mae Beavers	David Fowler
Jim Bryson	Steve Southerland
Steve Cohen	
Douglas Henry, <i>ex officio</i>	
Lt. Governor John S. Wilder, <i>ex officio</i>	

**M E M O R A N D U M**

**TO:** The Honorable Dave Goetz, Commissioner  
Department of Finance and Administration

**FROM:** Charles Curtiss, Chairman  
Don McLeary, Vice-Chairman

**DATE:** September 15, 2005

**SUBJECT:** Contract Comments  
(Contract Services Subcommittee Meeting 9/14/05)

**RFS# 317.05-052**

**Department: Finance & Administration/Division of Accounts**

**Contractor: National Association of State Auditors, Comptrollers and Treasurers (NASACT)**

**Summary:** This contract would allow the Department to procure benchmarking services through the NASACT. The Hackett Group, a subcontractor of NASACT, is responsible for developing a state government database of metrics for administrative functional areas such as finance, human resources, payroll and procurement. This is a five-year contract with a beginning date of 10/1/05 and an ending date of 9/30/10.  
**Original maximum liability: \$860,000**

After review, the Fiscal Review Committee voted to recommend approval of the contract.

cc: Jan Sylvis, Chief of Accounts, Department of Finance & Administration  
Robert Barlow, Director, Office of Contracts Review

# Excerpts from September 15, 2005

exactly what Representative Rowland is saying, and I think that's the best way we can handle this by communicating that back to each department.

Chairman McLeary: Do I have a motion for approving the contract?

Representative Rowland: So move.

Senator Fowler: Seconds the motion.

Chairman McLeary: All in favor say aye. Any opposed? The motion carries unanimously.

Senator Bryson: Do RFPs that go through the F&A process have to go through OIR before they go out?

Ms. Sylvis: It's a very high level review. Quite honestly I think it's more on the per functionary side that they review it. I am not sure if they review it on the telecommunications part or not.

Senator Bryson: It seems to me they should be responsible for a section of the RFP pertaining to our hardware, software requirements - whatever those are - so that the bidder knows exactly and also has a contact person they can call when they have a question.

Representative Curtiss: Probably what Representative Rowland just recommended and what we all agreed to, the first step in that might be wise to contact OIR and ask them for their suggestions. We might need to request that OIR take a longer harder look at this on the hardware side of things, because they are the logical place to stop this. That's the technical support everyone is looking to.

Chairman McLeary: Contract 6 is also Finance & Administration.

*6. RFS#317.05-052 (Finance & Administration, Division of Accounts with National Association of State Auditors, Comptrollers and Treasurers (NASACT) - Presenter: Ms. Jan Sylvis, Chief of Accounts.*

Ms. Sylvis: This is a contract that we would like your review and approval on. It's a noncompetitive contract with a professional organization called NASACT. That



group has gone through a competitive process to acquire a benchmarking consultant. I will give you a little background. A lot of states send their financial management people to NASACT conferences for state auditors. I go to it, and the State Treasurer goes to it. We had a conference in March of just the Comptrollers, and the Comptroller from Washington State had been talking about their implementation of an ERP system. They decided what they would do is take a snapshot of their processes in actually just payroll and HR before they put in their system. They wanted a real good view of what needed improvement before they put the computer system in. They plan on going back later after it's in and take another snapshot to see if they have actually made those improvements.

This sounded very profound to the group, and we talked to NASACT about helping states by going through a competitive process where states could actually buy off of that contract. We have one vendor that would create one database that all states could put their data in. We could then compare ourselves from an apple to apple standpoint. There has never been a state database created before, because we have not had that much cooperation amongst all states to do it.

Some states can actually buy off of that contract without any further administrative effort on their part. We do not have that provision here in Tennessee. Because we are actually going to be implementing an ERP system here in Tennessee, we thought it made a lot of sense to go through and benchmark our administrative functions: accounting, purchasing, HR, payroll and the IT function in Bill Ezell's shop in OIR. Actually take a picture and see how we are doing to see what kind of needed improvement the benchmarking consultant could identify for us. Some we know about, but we felt like it was a good idea to take a measure of that. Then we will be putting the ERP system in, starting next year, hopefully. After it is installed and stable, then we will go back and take another snapshot to see if we do have best practices in place.

Representative Curtiss: Did the NASACT organization do an RFP?

Ms. Sylvis: Yes, Sir.

Representative Curtiss: So we would be able to come in and buy off that contract very much like a city or county can buy something under a State contract with General Services now.

Ms. Sylvis: That's right.

Chairman McLeary: This contract was submitted late. Do you know why?

Ms. Sylvis: Actually because it has just popped up, and we wanted to get started on it and have this snapshot done before we make decisions on the ERP modules. We are in the process of defining requirements right now for an RFP that's going to go out hopefully this next month. We will go through an evaluation process and hopefully a selection around March or April where we will contract with them. We wanted to try and get this benchmarking effort done before we start with the contract, so that we could make the right decisions on what parts of the modules to implement.

Ms. Hicks: I am Rhonda Hicks. That's might be my fault. I probably put a beginning date .....(unintelligible). We can change that.

Ms. Sylvis: We haven't entered into a contract yet.

Chairman McLeary: That's fine. In your August 30<sup>th</sup> memorandum you said we needed help in improving payroll and other processing services. Could you explain in what areas we need improvements?

Ms. Sylvis: I can speak to payroll. HR is really outside of F&A's responsibility; it's with the Department of Personnel. Our payroll system is 32 years old. It is very faithful and runs for us on payday like it's supposed to. It does not have a lot of flexibility. There are a lot of programs that have been instituted over the years where we have had to go in and stick our hands in a bowl of spaghetti to make it work. That's what the programmers tell us. We are very limited for things like flexible benefits and having deductions from employee checks for different things. We do not have any capability from a computer system standpoint to handle garnishments and liens; we have

to work that out around the system. We do not have a service for employees where they can go in and say I'm moving, here's my new address. There are a lot of manual operations now.

Chairman McLeary: Is the Comptroller supportive of this?

Ms. Sylvis: They have not seen the contract yet, because we have been waiting for this meeting.

Chairman McLeary: Can this system be customized to meet future needs and requirements?

Ms. Sylvis: That's an interesting question. It can be customized, but we are going to try hard not to customize it. That might mean we'll have to change the way we do business, but we have a long history of customizing programs to the extent that even the vendor who sold it to us doesn't recognize it anymore and no longer supports it. The thinking is when we put in the new ERP system, we are going to preserve that look so that when they come out with a new version that takes into account new business processes, new issues that come up in the business world, we will be able to plug that in and stay updated rather than venturing off and doing things our own way and end up in the situation that we are in now.

Chairman McLeary: The Legislature appropriated \$350,000 this past year for this. It's going to be \$860,000 over a five-year period. The first year is \$350,000, and then you have years 6, 7 and 8 which is 20, 30, 80, 20 and 30. Then it drops back in year 10 to \$350,000. That looks kind of odd to me.

Ms. Sylvis: I think I can explain it. The first big hit is going to be for the four benchmark functional areas plus a program that is called the Executive Advisory Program that will allow Commissioner Goetz to attend a conference, get some advisory services from the contractor for at least the three areas he is responsible for: accounting, payroll, and IT. That will allow him access to their folks for consulting questions that come up on best practices. The other years where it drops way off

there is an opportunity for the vendor to provide a benchmarking report at the agency level. So we put a little money in on those off years in case the DOT or TennCare decides to have an agency-specific report. We put that in, because at this point we do not know yet who wants to use it at that level.

Chairman McLeary: The money is in there, but it might not be used. Is it recurring or one-time?

Ms. Sylvis: That's right. I think the money you appropriated last year was a one-time. If I can speak to the way we account for contracts, that might help. In the accounting system, we do not encumber the entire cost of the contract when it comes to us. That is because we may not spend all the money, and you cannot encumber the entire contract if it's going to run over five years. There was some discussion about this when we put the accounting system in back in 1985 as to how to handle that. People wanted to make certain that we had budgetary control over their budgets that you appropriate, but yet they have to have flexibility to, particularly in the welfare agencies where they may estimate what their needs are, then catastrophes occur, economies change and their caseloads go up, address that through their contracts. At an appropriation level, we do not control those contracts. The level of control is more budgetary on that contract summary sheet that you look at, those line items. They have the ability to spend up to that amount. We have a contract document control in the system so if they wanted to spend \$500,000 and the contract amount was \$300,000, we would not .....(unintelligible). From a budgetary standpoint, we do not actually appropriate down to the contract level.

Senator Bryson: You said the reason this contract was late was because it kind of popped up at the last minute, and we were trying to get it done for the ERP process. How did we appropriate it last May?

Ms. Sylvis: We didn't appropriate for this specifically. There was a large appropriation for ERP.

Senator Bryson: So this is coming out of the ERP appropriation?

Ms. Sylvis: Yes.

Senator Bryson: You explained the first four years. What is the \$350,000 appropriation for in 2010?

Ms. Sylvis: You're right; I didn't get to that point. The first \$350,000 is for those first benchmarks, and then it drops down to those state reports. Then that other big bump in it is when we come back and take that second benchmark after we put ERP in and it stabilizes.

Senator Bryson: The snapshot to see where we have come from. How does that tie us in to doing this over another five-year term?

Ms. Sylvis: That would be our choice. We would have a business choice at that time. If we wanted to continue benchmarking, which some private sector companies do every two or three years, that would be a decision we would need to make at that time. There is a strong argument to do that, because a lot of the states that are interested in this, are where we are. They have either put in an ERP system or are getting ready to.

Senator Bryson: I don't disagree with that at all. I just want to make sure that we have flexibility. If we are going to make a major investment at the front end and a major investment at the back end, I don't want that major investment at the back-end to tie us into being the next contract. If I was the contractor, that's what I would try and get it to do.

Ms. Sylvis: Right. I talked about the single database we are going to be building with all the states that are interested in participating. That database is going to be owned by NASACT, not the vendor.

Senator Bryson: Is our contract coterminous with their contract?

Ms. Sylvis: No, our contract is actually a little shorter. They ran theirs six or seven years strictly because they knew this was the first time a lot of states had

thought about it and might have to go back and convince their leadership, go through the budget process, have the money there, etc. They wanted to give a timeframe, so that most of the states that were interested could have the two snapshots.

Senator Bryson: I guess what I am seeing in 2010 is that we are going to make a \$350,000 investment which is fine it sounds like. But then our contract is going to end. The contract with The Hackett Group will not be ending. So we really will not have a choice at that point. If we want to continue benchmarking, we will have to reup with The Hackett Group, because they will have the software and the contract. Then if every state reups, then the Association will have no choice but to reup. You'll then have this .....(unintelligible) of contracts going on.

Ms. Sylvis: It could be that way. We looked at it as really the first step in .....(unintelligible). We are going to do a before and after, and then by that time figure out what we want to do after that.

Senator Bryson: Could I just encourage you to think about whether we need to do an amendment to this to co-terminate with NASACT? It might be worth putting another \$30,000 on this contract to co-terminate. Other states might like to do that as well which would give us a lot more flexibility than if we are weaving these contracts in and out. Then nobody can pull away, because everybody else is tied in.

Ms. Sylvis: We can certainly do that. It would put us past the five years. We always try and stay within those five years.

Senator Bryson: I have a question about the timing of the ERP. We will not have this information until after the RFP goes out, but we hope to have it in before the contractor starts working. I guess you don't anticipate such major changes that it's going to throw a kink in fulfillment of the contract.

Ms. Sylvis: It's my understanding that Hackett has benchmarked with a lot of companies that also use the ERP packages that will be marketed to us. So their benchmarks are built around those types of metrics that would facilitate the

recognition that there are things that we need to do that the ERP can satisfy. If we get approval on this today and we work through the contract approval process, Hackett believes they will be able to start the survey process with us in October or November. They will then take that data, analyze it, give us a report in January or February, and make sure their stuff is aligned with best practices in the industry.

Senator Bryson: Do we anticipate that their recommendations in January or February will be dramatic enough that if we implement them, we adversely affect the winning results.

Ms. Sylvis: I do not believe so for the reason that they have been tracking best practices for years and identifying them. Those companies for which they have identified best practices are supportive by ERP systems. The ERP systems that are out there all pretty much state that they will support best practices in these administrative areas.

Senator Bryson: So their modules should already support the things that we are going to go out and figure out what they should be supporting.

Ms. Sylvis: The proof will be in the pudding when we put this in and we still don't have best practices, then to me that's a question for our ERP vendor.

Senator Bryson: But you think the software will be able to already encompass this, because we are not building custom software?

Ms. Sylvis: Right.

Representative Rowland: What is the end result of our ERP suppose to be?

Ms. Sylvis: Integration is the keyword. We have built over the years our own silo computer system to do what we needed it to do. We have an accounting system right now that does what we need it to do; a payroll system that we built 32 years ago that did what we needed it to do. They interact with each other in that we pass information from payroll to accounting to record the total payroll for the State in the accounting records. That is an interface right now between payroll and STARS, our

accounting system. That interface is a homebuilt connection between those two. We have that same process from the benefits/insurance system through payroll to accounting. We have it on the purchasing side in their system with an interface to accounting to report all of those requisitions, purchase orders, and those kinds of things. This system brings you in a platform where you do not have all those interfaces. It's already able to share information within one huge database. That's probably the extent of my technical knowledge on that.

Representative Rowland: I was pretty sure that was the explanation you were going to give me, but you always want to know the answer to the question before you ask it. Having been in the private sector in HR and manufacturing, it's not uncommon for any of my industry publications to have articles on best practices that are in the industry on what has become the cream of the crop. It would seem to me that what we are looking for here is a company to make us all communicate when really couldn't all the departments that are joined together by spokes, just get in a room and communicate? Isn't there some way we can figure it out for ourselves, or do we have to be told what to do? It seems we are looking at hiring a company to communicate with all of us when why can't we do that?

In Fiscal Review, we have learned many times that one department is doing something; we send out letters to other departments saying we think this is a great idea and think you should implement it. It's just a matter of miscommunication or no communication among the departments. We have just received a letter back from one of the departments that loved the contract tracking program that was implemented. They are going to move forward with that. It just seems like we are willing to spend money to do something we could do over a lunch with all the departments. I know I am oversimplifying it, but why can't we talk among ourselves first?

Ms. Sylvis: That's a good point. One of the missions of NASACT since 1915 has been, let's share good information on how you do things across states. That has



happened, but it has been very anecdotal. We may end up not comparing ourselves from apples to apples. If there is one thing I think this brings us - well actually two things it brings us: one, it brings us a survey document that keeps everybody aligned on each topic so that you have to force yourself to define yourself in terms of their survey. The reason they do that is so that they can be able to compare the way you answer that question to the way the 3,000 other private sector companies answer that question, and the way 20 or 30 other states have answered.

To your point of "couldn't we sit in a room with our departments and talk about best practices?", we could do that, but how would we know that what we come up is really good. We could be comparing ourselves to someone that's mediocre or someone that's bad. You like to have independent verification that 3,000 companies are doing this function, how they are doing it, and what it's costing them. Also, I think what this gives us is discipline.

Senator Fowler: If I understand your answer to Senator Bryson, we have these ERP systems; there's Brand X and Brand Y ERP systems. If we are going to buy a system and try not to tinker with it so that we can take whatever updates come to the X brand or the Y brand system, it seems like what we need to do is look at the boxes that are there because that's all I have to choose from. If all I have to choose from is between Saturn and Chevrolet, what good does it do to tell me that someone over here is running a Mercedes a certain way? It seems like this is a bunch of money when what we need to do is simply say "I can choose between these two cars, let's go to the dealership, get the books and compare".

Another thing that concerns me a little bit is I haven't heard you say that our system can't communicate anymore. We can spend tons of money to say we have the best practice, but if I am a businessman and the best practice does not add to my bottom line, only makes me look like everybody else's business, then I have wasted money that could've gone to my vacation.

Ms. Sylvis: I think the issue for me since I take care of accounting and payroll is that and I feel it worse in payroll than on accounting. In payroll I have a 32-year old system - a homegrown system - and while it's been very faithful, the people who helped build it have retired. There is no way to go in and make it do the things I need it to do without spending a lot of money in a programming language that you can't readily find somebody that wants to learn to do. I do not know what the old language is, but it's the language that was current 32 years ago. While we have folks that we have cross-trained to help us take care of it, it's another thing entirely to get it to do what my business needs are right now. So instead of making big changes to it to handle things like garnishments, liens, and more employee deductions, we have kept it very narrow. The only changes we make to it is what we have to for tax purposes. The programming language it's in is archaic.

The question is do I go out and buy just a payroll system and make that improvement there and then five years later go back and replace my accounting system. It's kind of do I take an enterprise approach to it, or do I still work in silos.

Senator Bryson: I don't think it's as simple as a Saturn or Mercedes with the software program. I think it's more like are we buying Legos or Tinker Toys, because we are building something and it's in what way are we building it. You don't necessarily want to combine Legos and Tinker Toys which is what we have done in the past. Then nobody can fix what we build. I think what we are doing is using one or the other software to build what we want. I don't know if this is a good analogy, but I have to think of it really simply.

Representative Curtiss: I think in the time I have been here the fact that DHS' computer system doesn't communicate with the Department of Labor and the whole silo concept has cost us millions of dollars. But of course the computer technology in the last 32 years has grown by leaps and bounds. I think that what we are doing is we are not just using a narrow brain trust but we are expanding that to use a brain trust out